

DEC 11 2007

U.S. DISTRICT COURT
W. DIST. OF N.C.

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
ASHEVILLE DIVISION

UNITED STATES OF AMERICA	)	DOCKET NO. 1:07 CR <u>122</u>
)	
vs.	)	BILL OF INDICTMENT
)	
1) BOBBY LEE MEDFORD,	)	Violations: 18 U.S.C. § 1341
also known as Bobby Medford,	)	18 U.S.C. § 1346
2) JOHN DAVID HARRISON,	)	18 U.S.C. § 1349
also known as Johnny Harrison,	)	18 U.S.C. § 1511
3) RONNIE EUGENE DAVIS,	)	18 U.S.C. § 1951
also known as Butch Davis,	)	18 U.S.C. § 1956(h)
4) GUY KENNETH PENLAND	)	18 U.S.C. § 1001
	)	18 U.S.C. § 2

THE GRAND JURY CHARGES:

Introduction

1. Beginning by on or about October 1, 2000, and continuing through on or about December 3, 2006, BOBBY LEE MEDFORD, also known as Bobby Medford, JOHN DAVID HARRISON, also known as Johnny Harrison, RONNIE EUGENE DAVIS, also known as Butch Davis, GUY KENNETH PENLAND and others known and unknown to the Grand Jury conspired to enrich themselves unlawfully by extorting money from persons involved in the illegal video poker machine business in Buncombe County, within the Western District of North Carolina. They thereby deprived the citizens of Buncombe County of the right to their honest services, performed free from deceit, favoritism, self-enrichment, self-dealing, concealment, and conflict of interest.

2. During the period of the conspiracy, BOBBY LEE MEDFORD was the elected sheriff of Buncombe County, North Carolina. JOHN DAVID HARRISON and RONNIE EUGENE DAVIS worked as lieutenants for the Buncombe County Sheriff's Office. GUY KENNETH PENLAND was a Special Deputy and volunteer who held himself out as a Buncombe County Sheriff's Office captain, with the knowledge and consent of his co-defendants. MEDFORD was first elected sheriff of Buncombe County in 1994, and won re-election in 1998 and 2002. In November 2006, he lost his re-election effort and he left office in December 2006.

3. The extortion of monies from illegal video poker machine (VPM) operators was accomplished primarily in three ways: (1) Defendants organized golf tournaments that generated significant monies for themselves in both election and non-election years; (2) Defendants made direct demands for cash from various VPM businesses; and (3) Defendants worked on behalf of VPM operators and received cash for convincing store owners to place machines in their businesses.

4. In order to carry forth this conspiracy and ensure that their stream of illegal revenue continued to flow, the Defendants provided VPM operators with benefits ranging from the non-enforcement of video poker laws to the falsification of community service records on behalf of a video poker machine operator's agent who had been charged with criminal offenses.

5. MEDFORD used the cash he extorted from illegal VPM operators, in part, to fund his own gambling activities at Harrah's Cherokee Casino in Cherokee, North Carolina, and elsewhere. On many of his gambling trips to Harrah's Cherokee Casino, MEDFORD was accompanied by DAVIS and by other employees of the Buncombe County Sheriff's Office (hereinafter "BCSO"), often during normal business hours, and sometimes in BCSO vehicles. The BCSO employees who accompanied MEDFORD on these gambling excursions did not take leave or vacation time for the hours they spent away from work. In the calendar year 2006 alone MEDFORD had net losses at Harrah's Cherokee Casino totaling at least \$54,142.

The Office of Sheriff

6. The Constitution of North Carolina creates the office of sheriff for each county in the state. N.C. Constitution, Article VII, § 2. The sheriff is the only officer of local government required by the state Constitution. Although the salary of the sheriff and the number of salaried employees are set by each county's board of county commissioners, the sheriff himself is elected directly by the citizens of that county. The sheriff has complete freedom to hire, discharge, and supervise the employees in his office. N.C.G.S. 153A-103(1). No state agency or official oversees the activities of sheriffs, nor do sheriffs answer to any superior, other than the citizens of their county.

North Carolina's Laws Regulating Video Poker Machines

7. The North Carolina General Assembly enacted laws, effective October 1, 2000, that banned any video gaming machines, including video poker machines, that were not located within the geographical boundaries of the State of North Carolina by June 30, 2000. N.C.G.S. 14-306.1(a).

8. The 2000 law made it a criminal offense to make any cash payouts whatsoever, regardless of amount, based on the operation of video gaming machines (sometimes referred to hereafter as simply "machine" or "machines"). The greatest prize that could legally be won was a coupon that could be exchanged for prizes or merchandise with a value not exceeding \$10.00. N.C.G.S. 14-306(b)(2).

9. Every machine had to be registered with the sheriff of the county where the machine owner wished to place it in operation. N.C.G.S. 14-306.1(i). The registration forms were to be completed by the machine owner and maintained by the sheriff.

10. The sheriff of each county had discretion to allow the registration of such machines, or to refuse to allow such machines to be registered in his county. Each sheriff's office also had the responsibility to enforce the laws concerning the registration and operation of video gaming machines.

11. Each lawfully registered machine had to bear an official registration sticker that was provided by the sheriff at the time the machine was registered. These official registration stickers were supplied to each sheriff by the North Carolina Sheriffs' Association, located in Raleigh, North Carolina. That association shipped these items through the United Parcel Service ("UPS"), a commercial interstate carrier.

VPMs in Buncombe County

12. MEDFORD organized a meeting of video poker machine operators in or about September of 2000. At this meeting the sheriff's protocols under the new laws were discussed. Lieutenant HARRISON later became the contact person for video poker machine registrations. In this capacity, HARRISON met with video poker machine owners who wished to register machines with the sheriff. HARRISON had the responsibility to assure that the state registration forms were properly completed, and, in theory, if all the paperwork was in good order, to issue the registration stickers to the machine owner to affix to the registered machines. Without such a registration sticker attached and visible on a video poker machine, the machine would be in obvious violation of the law, and any agents of the North Carolina Division of Alcohol Law Enforcement ("ALE"), which had state-wide authority to enforce the video poker machine laws, might seize the machine or order it removed.

13. HARRISON maintained unissued registration stickers and blank registration forms at his office at the BCSO. HARRISON shared an office, and was assisted in his video poker machine duties, by GUY KENNETH PENLAND.

14. PENLAND had formerly been a full-time deputy of the BCSO, but by early 2002 he had been assigned by MEDFORD as a volunteer Special Deputy with the rank of captain. He was allowed to display an authentic BCSO captain's badge. He wore shirts embossed with the BCSO symbol. He wore captain's bars on his shirt collar as an insignia of his rank. PENLAND also drove a non-department issue Ford Crown Victoria automobile that resembled those driven by other BCSO deputies and was equipped with a BCSO radio.

15. In addition to dealing directly with the VPM owners who registered the machines, HARRISON and PENLAND visited many of the businesses at which the VPMs were located and operated. They thereby became familiar with the store owners and operators, and made themselves known to those persons.

16. HARRISON and PENLAND continued to have responsibility for processing VPM registrations, issuing registration certificates, and enforcing the state VPM laws, until in or about

May 2005. At that time, HARRISON retired, and Lieutenant RONNIE DAVIS took over the position previously held by HARRISON and PENLAND concerning the VPM business. DAVIS continued in that position through December 2006 and continued to operate in much the same fashion as PENLAND and HARRISON had.

Methods of Extortion

A. Golf Tournaments

17. One of the methods by which the defendants extorted money from VPM operators was through golf tournaments. Starting by at least 2000, the defendants and others organized semi-annual golf tournaments at a golf course in Buncombe County. The defendants solicited and extorted "donations" for these tournaments by means of requiring a fee, generally \$400 or \$500, to enter a team, and a fee of \$100 to sponsor a hole. Although some of the entities from whom they obtained money were legitimate individuals and businesses that were led to believe they were making campaign contributions, the majority of the "donors" for each tournament were video poker machine operators. The defendants used the profits from these golf tournaments primarily to enrich themselves.

18. PENLAND, HARRISON and DAVIS solicited and extorted some VPM operators at the BCSO office when the operators came in to register machines. They solicited and extorted other operators, including both machine owners and the owners of the stores where the machines were operated, by calling them and soliciting money or by visiting the stores. For most of these semi-annual tournaments, the defendants were able to sell as many as 34 team slots. They were also generally able to sell as many as 15 hole sponsorships.

19. Occasionally, some persons gave checks rather than cash. This was typically the case when legitimate, non-VPM businesses and persons made payments. The checks were ordinarily made out to some variant of the "MEDFORD for Sheriff Campaign" or to the golf tournament as the payee. In 2003, 2004, and 2005, there was no campaign committee, nor was there a legal entity known as the "MEDFORD Golf Tournament." In order to have access to these funds, therefore, the defendants needed to be able to cash the checks at a location which, unlike a bank, would be willing to accept checks made out to non-existent payees.

20. The defendants found such a check-cashing facility at a convenience store in Buncombe County, identified herein as GD. That store had video poker machines which were being used for unlawful gambling purposes, as HARRISON well knew, since he from time to time received illegal cash payouts there for his own gambling winnings. The owner of GD cashed checks during the years 2002 through 2006 that were made out to such payees, among others, as the MEDFORD for Sheriff campaign, the Re-elect MEDFORD Committee, and the MEDFORD Golf Tournament. The defendants received cash from the owner of GD, who included the checks in his own deposits with his bank.

B. Direct Extortions of Cash

21. In addition to extorting money from VPM operators through the cover of golf tournaments, the defendants also demanded that VPM operators deliver cash to them in exchange for continuing to allow them to register their machines in Buncombe County, for giving them the registration stickers, and for not enforcing the state's laws.

HAI Extortions:

22. During the period of this conspiracy, a South Carolina-based company identified herein as HAI operated a large VPM business in Buncombe County. JP, an HAI employee, was responsible for getting HAI video poker machines registered at the BCSO. Between 2002 and the beginning of 2005, he dealt primarily with PENLAND. He also dealt with HARRISON until 2005, when DAVIS replaced HARRISON as the BCSO officer in charge of enforcing the video poker machine laws.

23. During 2001 through the first half of 2005, JP would bring completed VPM registration forms to PENLAND and HARRISON at the BCSO. HARRISON and PENLAND would accept the forms, sign their names as approving the registrations, and then hand JP the registration stickers for him to place on the machines. HARRISON also provided JP with stacks of stickers, unassociated with any registration paperwork

24. Approximately once every two-to-three months from 2002 through 2006, HARRISON and later DAVIS would tell JP to come by the BCSO. If he did not come HARRISON and DAVIS would call and remind him to do so. JP knew from past experience that he was expected to bring cash to these visits, and he did so. JP generally brought between \$2,000 and \$2,500 in cash to the BCSO when PENLAND, HARRISON, or DAVIS summoned him. JP usually delivered the cash directly to MEDFORD. On at least two occasions, JP delivered \$5,000 directly to MEDFORD in MEDFORD's office.

25. When DAVIS replaced HARRISON and PENLAND as the BCSO officer in charge of enforcing the VPM laws, he also extorted cash payments from JP for registering the machines and for persuading stores to allow the placement of HAI machines. DAVIS was paid between \$200 and \$300 per store location registered.

26. In or about the spring of 2005, JP delivered approximately \$10,000 in cash to PENLAND, to be handed on to MEDFORD. JP also delivered cash payments to the defendants at Christmas time each year. In December of 2002, 2003, 2004, and 2005, he delivered \$2,000 per year to MEDFORD and \$1,000 per year to PENLAND. He delivered \$500 to DAVIS in December 2005. He delivered \$500 to at least one other individual who volunteered regularly at the BCSO and who worked with DAVIS.

27. During the latter half of 2005 or in 2006, when DAVIS was in charge of enforcing the VPM laws for the BCSO, DAVIS told JP words to the effect, "If we're going to take care of you, we've got to take care of each other."

IA Extortions:

28. Starting in 2004, the exact date being unknown to the Grand Jury, a person identified herein as IA began to be extorted on behalf of MEDFORD, initially by HARRISON and then later by DAVIS. IA owned and operated several convenience stores with VPMs in Buncombe County. On the first such occasion, HARRISON telephoned IA and told him that the sheriff needed money. HARRISON then picked up IA from one of IA's stores, in HARRISON'S BCSO vehicle, and drove IA to the BCSO. HARRISON escorted IA into MEDFORD'S office, where IA gave MEDFORD cash.

29. Over the course of the next two years this pattern continued, with HARRISON in 2004 and early 2005, and then DAVIS in late 2005 and 2006 calling IA, telling IA the sheriff needed money, then picking IA up in a BCSO vehicle and driving IA to MEDFORD'S office, where IA delivered cash in the amounts of \$1,500 to \$2,000 directly to MEDFORD..

30. On or about April 20, 2005, HARRISON called IA and told IA that the sheriff needed \$6,000. IA withdrew the cash from a business bank account and then met with HARRISON, who drove him in HARRISON'S BCSO vehicle to a parking lot in Asheville, where they met with MEDFORD. There MEDFORD received the \$6,000.

31. In or about late 2004, the exact date being unknown to the Grand Jury, IA met with MEDFORD and HARRISON and told them that he wanted to change his VPM supplier from HAI to another company. One reason IA gave to MEDFORD and HARRISON for wanting to change from HAI involved an incident in which IA had paid out an \$8,000 jackpot to a poker machine player, but HAI had refused to reimburse him for more than half the payout amount. MEDFORD told IA that MEDFORD would have to think about it. Approximately two weeks later, HARRISON called IA and told him that IA would have to work things out with HAI.

32. In December 2005, IA gave DAVIS \$500 in cash at IA's store, where DAVIS had come to talk to IA.

RW Extortions:

33. In or about 1998, MEDFORD suggested to RW, a Buncombe County businessman, that RW should consider installing VPMs at a business RW owned in Buncombe County. MEDFORD explained that he would be able to keep RW out of trouble with law enforcement. RW placed approximately one dozen VPMs at his business in Buncombe County, which he used for illegal gambling purposes. MEDFORD then solicited RW approximately two or three times a year to obtain cash, through the beginning of 2002. RW usually gave him approximately \$4,000 at a time.

DT Extortions:

34. DT was another VPM owner and operator in Buncombe County. In the spring of 2001, DT met HARRISON when DT was registering VPMs. A month or two later, HARRISON asked DT to sponsor part of MEDFORD's golf tournament. DT gave him a check for \$500. A few months later, HARRISON again contacted DT and asked him to make a "donation" to the BCSO. DT brought \$500 in cash to the BCSO and delivered it to HARRISON.

35. Approximately two months later, when DT went to register more machines, he brought his registration papers and an envelope with \$500 cash, all of which he gave to HARRISON. DT continued to bring envelopes with \$500 cash to HARRISON approximately every two months for the first year of his dealings with HARRISON. If more than a couple of months went by, HARRISON called him and told him to contribute money to the BCSO. HARRISON, in turn, provided DT with the state VPM registration stickers whenever DT asked for any, regardless of whether DT had completed the necessary registration forms.

36. After about one year, in or about 2002, DT increased the amount of cash deliveries to \$1,000. In addition, HARRISON also asked him each spring and fall to donate to the golf tournament. DT gave \$500 for each tournament.

37. In 2002, HARRISON extorted DT for a contribution supposedly for MEDFORD's re-election campaign. DT gave HARRISON \$5,000 cash, and received no receipt.

38. In 2005, DAVIS began extorting the cash from DT in place of HARRISON. DT also gave DAVIS \$500 for the golf tournaments in the fall of 2005 and in the spring and fall of 2006.

39. In 2006, after the primary election but before the November general election, DAVIS demanded another campaign contribution from DT. DT gave DAVIS \$5,000 in cash, and again received no receipt.

40. In October 2006, while DT was out of the country, DAVIS demanded additional cash from DT. DT had another person, known to the Grand Jury, deliver \$1000 cash to DAVIS at the BCSO. Again, DAVIS gave no receipt for this "donation."

CMJ and CMS Extortion:

41. During the times relevant to this Indictment, CMJ and CMS owned and operated an illegal gambling business using VPMs in Buncombe County.

42. From a date unknown to the grand jury, and continuing through the spring of 2005, HARRISON and PENLAND extorted \$500 in cash for each spring and fall golf tournament from CMJ.

43. Prior to the May 2005 golf tournament CMS was registering VPMs with DAVIS when DAVIS demanded and received a \$500 cash "donation" for the upcoming golf tournament. DAVIS also solicited and received \$500 and \$1,000 cash "donations" from CMS for the May and September 2006 golf tournaments.

44. In or about 2005, CMS brought HARRISON with him and introduced him to the store owners of several stores in Buncombe County where CMS had machines.

45. In or about the summer of 2006, DAVIS called CMS and told him that the sheriff needed an amount of money slightly over \$1,000 for a "filing fee" for his re-election campaign. CMS complied, and delivered the requested amount to DAVIS at the BCSO, in cash, and received no receipt.

AL Extortion:

46. AL was involved with running an illegal gambling business, mostly involving sports betting, in Buncombe County for many years, including at all times relevant to this indictment. During that time, AL and his partner gave MEDFORD approximately \$1,000 at a time, several times a year, to prevent any law enforcement actions against their business. This continued through 2006.

47. In or about December 2005, AL and his partner provided MEDFORD with an additional payment of \$1,500. During this entire time, AL and his partner never had any law enforcement actions against their illegal gambling business by the BCSO.

48. In the late summer or fall of 2006, the exact date being unknown to the Grand Jury, DAVIS contacted AL, whom DAVIS knew was involved with illegal sports betting. DAVIS told AL that he had to give money to MEDFORD's campaign. AL met with DAVIS at a parking lot in Buncombe County, as DAVIS had instructed, and gave him \$1,000 in cash, receiving no receipt.

49. In the fall of 2006, DAVIS called AL again and told him to bring more money to a meeting. AL met with DAVIS, who was driving a BCSO car, and gave him another \$1,000 in cash. DAVIS told AL that AL needed to put VPMs in his place of business and that DAVIS could arrange for them to be placed there. AL initially refused, saying he was not interested in them. DAVIS offered to give the \$1,000 back to AL if AL would accept VPMs.

50. Soon thereafter, DAVIS called AL's business associate and also asked him about AL's accepting VPMs. AL was concerned that if he did not accept the machines, DAVIS or others within the BCSO would enforce the laws against his illegal sports betting business, so he agreed to take the machines. A few days later the VPM owner identified as CMS delivered machines to AL's place of business. On or about November 14, 2006, after state and federal agents executed approximately 20 search warrants at the businesses and the home of the VPM owner known as DT, AL asked CMS to remove them, which he did.

Money Laundering through the Use of Money Orders

51. In or about July 2005, MEDFORD hired TB as a captain with the BCSO. In early 2006, MEDFORD directed TB to prepare the necessary paperwork to establish MEDFORD'S re-election committee. On or about February 20, 2006, MEDFORD paid the campaign filing fee of \$1055 with a money order. The re-election committee was formed as an official entity, with a bank account into which money could be deposited and from which expenses could be paid.

52. Under North Carolina law, any campaign contribution over \$100 could not be in cash. The law also required that the donors of all contributions over \$100 be identified on reports that had to be filed with the Board of Elections. The campaign committee hired an accountant to maintain the bank account and to prepare all the mandated reports.

53. MEDFORD and DAVIS gave cash they had extorted to TB for deposit into the campaign account. When TB delivered the cash to the campaign's accountant, the accountant refused to accept cash in amounts over \$100. DAVIS and TB therefore devised a scheme to convert cash obtained from illegal video poker operators and others into money orders in order to deposit those into the campaign account, while disguising the source of the cash. They also used this scheme to convert checks into cash at the store known as GD, thereby disguising the origin of that money, and then using a portion of that cash also to buy money orders.

54. On or about May 3, 2006, at the direction of DAVIS, TB used cash given to him by DAVIS to purchase ten \$500 United States Postal Service money orders. DAVIS provided a list of names for TB to write onto the money orders as being the persons who had purchased these money orders, so that those persons could falsely be listed on the state-mandated campaign reports as the donors to the campaign. Once the money orders were filled in, TB then delivered the money orders to the accountant, who deposited them into the campaign's bank account.

55. On or about May 23, 2006, MEDFORD approached TB and gave him instructions on what to do with some of the cash with which TB was about to buy money orders. MEDFORD directed TB to give MEDFORD an amount of cash, to deposit a certain amount into MEDFORD's credit union account, to deposit a certain amount into MEDFORD's girlfriend's account, and to deliver a certain amount to a BCSO deputy.

56. On a separate occasion in 2006, the exact date being unknown to the Grand Jury, MEDFORD ordered TB to give him in excess of \$1,000 in cash with which TB was preparing to buy money orders.

57. On or about August 7, 2006, TB bought ten \$500 Postal Service money orders with cash from DAVIS, and on or about August 8, 2006, bought an additional seven \$500 Postal Service money orders. TB wrote in false names of supposed purchasers on the money orders and provided them to the accountant.

58. In November 2006, after MEDFORD had lost his re-election campaign, DAVIS directed TB to destroy the receipts for the money orders. TB told Davis he had disposed of them, although in fact he preserved those receipts.

59. On or about February 22, 2007, agents of the FBI and IRS interviewed DAVIS. At that time, DAVIS claimed that when he had been raising money for MEDFORD's 2006 golf tournaments, he had received money orders from campaign donors, which he had then taken to the campaign's accountant to be deposited. DAVIS claimed that he had personally received about ten money orders from donors for the spring 2006 golf tournament, and another ten money orders for the fall tournament. He claimed that he never dealt with cash and that he never had cash in his office at the BCSO. DAVIS knew when he made these statements that they were false.

60. None of the VPM owners and operators set forth in this Indictment were listed as donors to MEDFORD's campaigns in the Buncombe County Board of Elections records for the 2002 or 2006 elections.

Services provided by Defendants to Video Poker Operators

61. In exchange for the cash provided by the VPM owners and operators, the defendants provided services and other benefits to them, including the following:

A. Grand Jury Surveillance

62. During 2006, a federal grand jury sitting in the Asheville Division of the Western District of North Carolina was conducting an investigation of HAI, the company for which JP worked. JP participated in a surveillance outside the federal courthouse in Asheville to observe the witnesses who might be appearing before the grand jury. To accomplish this, PENLAND drove JP in PENLAND's Crown Victoria to the vicinity of the courthouse, where they observed the courthouse front entrance for several hours.

B. Running FBI Agent's License Plate Number

63. On or about May 16, 2005, PENLAND radioed into the BCSO dispatcher the license tag number of an FBI agent who had been surveilling an HAI location in Cleveland County. When PENLAND learned that the tag came back as "not on file" (which is known to law enforcement officers as frequently being a designation for undercover law enforcement vehicles), he called JP and warned him that the agent's car belonged to some type of undercover police officer.

C. Fraud Involving Court-Ordered Community Service

64. On or about June 3, 2003, JP was sentenced by the Superior Court of Cleveland County, North Carolina, to 75 hours of community service as part of a deferred prosecution on a state

criminal charge of allowing gaming tables and possessing slot machines. JP, PENLAND and HARRISON were able to get supervision of his community service transferred to Buncombe County, where JP was to perform community service at the direction of Captain PENLAND at the BCSO reassurance program. Between June 5 and August 8, 2003, HARRISON and PENLAND falsely certified 13 days on which JP supposedly had performed a total of 77.5 hours of work, when in fact, as they knew, he had done no such community service. When officials with the Buncombe County Community Service Work Program contacted MEDFORD about the propriety of this arrangement, MEDFORD placated their concerns.

D. Transportation and Machine Placement

65. Shortly after JP began dealing with PENLAND, in or about the middle of 2002, PENLAND solicited money from JP while PENLAND was processing JP's registration forms. JP agreed to give PENLAND \$500 for each location at which PENLAND allowed the registration of VPMs. This pattern of payments continued until PENLAND ceased having authority to register VPMs, in the middle of 2005. JP made these payments specifically because PENLAND was the person at the BCSO who was responsible for registering these machines. After DAVIS took over VPM responsibilities from HARRISON and PENLAND, he also helped find locations that would be willing to have HAI poker machines. He also received cash from JP for this service.

66. PENLAND also accompanied JP to various stores within Buncombe County for purposes of soliciting the store owners to accept HAI video poker machines at their locations. During these visits, PENLAND was frequently dressed in a shirt with the BCSO insignia, wore a visible BCSO captain's badge on his person, and had captain's bars pinned to his shirt collar. PENLAND and JP frequently drove to these visits in PENLAND's car, a Ford Crown Victoria that appeared to be an unmarked police car, complete with a BCSO radio. JP reimbursed PENLAND for his personal gasoline charge card expenses.

67. During 2003, the exact date being unknown to the Grand Jury, PENLAND visited a store in Buncombe County owned and operated by IA. PENLAND, displaying a badge and a walkie-talkie on his person, told IA that it would be "a favor" if IA would place HAI machines at IA's store. IA eventually agreed to do so.

E. BCSO Badges

68. Some VPM owners and agents received BCSO Special Deputy badges or credentials. On or about September 5, 2005, in Cleveland County, JP was arrested for possession of gambling paraphernalia. At that time, in an attempt to avoid arrest, he presented to the arresting officers an authentic BCSO lieutenant's badge, which had been provided to him along with a special deputy's identification card by PENLAND.

69. Around Christmas of 2005, PENLAND provided JP with another BCSO lieutenant's badge, to replace the one seized by the Cleveland County officers.

70. On or about July 26, 2005, MEDFORD signed and issued to IA a BCSO Special Deputy Sheriff identification card.

71. CMJ was also provided a BCSO Special Deputy badge.

72. In December 2006, after MEDFORD had left office, employees of the new Buncombe County sheriff discovered that the BCSO records concerning the Special Deputy program were missing. They have not been found.

F. Vouching

73. On or about July 10, 2002, in Henderson County, North Carolina, JP was stopped by deputies of the Henderson County Sheriff's Office, who seized from him approximately \$23,223 in cash and a stack of VPM registration stickers. JP told the Henderson County deputies that they should check with MEDFORD, who would vouch for him. Within 48 hours, HARRISON contacted a Henderson County detective to vouch for JP and stated that the money seized from JP was legitimate. The Henderson County Sheriff's Office returned the cash and the VPM registration stickers to JP. JP gave HARRISON cash as a reward for his assistance with the Henderson County Sheriff's Office.

G. Warning about Search Warrants Being Executed

74. On or about November 14, 2006, state and federal agents executed approximately 20 search warrants at businesses in Buncombe County that were illegally operating video poker machines owned by DT. The agents also executed search warrants at the homes of DT and his adult son. The BCSO had not been informed in advance of the existence of these search warrants nor of their upcoming execution. That morning, when DAVIS learned that these warrants were being executed, he began calling various other illegal video poker operators in Buncombe County, including JS, to warn them. That same day, there were also three calls from the telephone extension in the office of the Chief Deputy of the BCSO to video poker businesses, two of which were associated with JS.

COUNT ONE (CONSPIRACY TO COMMIT EXTORTION UNDER COLOR OF OFFICIAL RIGHT)

75. Paragraphs 1 through 74 of this Indictment are realleged and incorporated herein by reference.

76. Beginning on or about October 1, 2000, and continuing through on or about December 3, 2006, in Buncombe County, within the Western District of North Carolina, and elsewhere, the defendants,

- 1) BOBBY LEE MEDFORD,
also known as Bobby Medford,
- 2) JOHN DAVID HARRISON,
also known as Johnny Harrison,
- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,
and
- 4) GUY KENNETH PENLAND,

did knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit certain offenses against the United States, as follows:

To obstruct, delay, and affect in any way and degree commerce and the movement of articles and commodities in commerce by extortion, as those terms are defined in Title 18, United States Code, Section 1951; that is, that the defendants obtained property not due the defendants or their office, under color of official right, from the video poker machine owners and operators set forth in the preceding paragraphs, with those owners' and operators' consent.

Overt Acts

77. In furtherance of this conspiracy, the defendants committed the acts set forth in Paragraphs 12 through 74, among others.

Object of the Conspiracy

78. It was the object of the conspiracy that the defendants would obtain money to which they were not entitled through the abuse of their position with the Buncombe County Sheriff's Office.

All in violation of Title 18, United States Code, Section 1951.

COUNT TWO
(CONSPIRACY TO COMMIT MAIL FRAUD)

79. Paragraphs 1 through 74 of this Indictment are realleged and incorporated herein by reference.

80. Beginning on or about October 1, 2000, through on or about December 3, 2006, in Buncombe County, within the Western District of North Carolina, and elsewhere, the defendants,

- 1) BOBBY LEE MEDFORD,
also known as Bobby Medford,
- 2) JOHN DAVID HARRISON,
also known as Johnny Harrison,

- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,
and
- 4) GUY KENNETH PENLAND,

did knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit Mail Fraud, in violation of Title 18, United States Code, Section 1341 as set forth more fully in Counts Three through Seven of this indictment.

Overt Acts

81. In furtherance of this conspiracy, the defendants committed the acts set forth in Paragraphs 12 through 74, among others.

Object of the Conspiracy

82. It was the object of the conspiracy that the defendants would obtain money to which they were not entitled through the abuse of their position with the Buncombe County Sheriff's Office.

All in violation of Title 18, United States Code, Section 1349.

**COUNTS THREE THROUGH SEVEN
(MAIL FRAUD, DEPRIVATION OF
HONEST SERVICES OF A PUBLIC OFFICIAL)**

83. Paragraphs 1 through 74 of this Indictment are realleged and incorporated herein by reference.

84. At all times material to this Indictment, the defendants,

- 1) BOBBY LEE MEDFORD,
also known as Bobby Medford,
- 2) JOHN DAVID HARRISON,
also known as Johnny Harrison,
- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,
and
- 4) GUY KENNETH PENLAND,

were officers, employees, and agents of the Buncombe County Sheriff's Office.

85. From on or about October 1, 2000, through on or about December 3, 2006, in Buncombe County, in the Western District of North Carolina, and elsewhere, the defendants devised and intended to devise a scheme and artifice to defraud and deprive the Buncombe County Sheriff's Office and the citizens of Buncombe County of their right to the honest services of the defendants, performed free from deceit, favoritism, bias, self-enrichment, self-dealing, concealment, and conflict of interest, and did aid and abet one another in the commission of such offense.

86. On or about the dates listed below, in the Western District of North Carolina and elsewhere, for the purpose of executing and attempting to execute the scheme and artifice to defraud and deprive, the defendants knowingly took and received items and matters delivered by an interstate carrier, according to the directions thereon, that is, official North Carolina video poker registration stickers shipped from the North Carolina Sheriffs' Association in Raleigh, North Carolina, to the Buncombe County Sheriff's Office in Asheville, North Carolina, and did aid and abet one another in the commission of such offense:

COUNT	DATE	ITEMS SHIPPED	SHIPPED TO	CARRIER
THREE	April 1, 2002	400 Registration Stickers	JOHN HARRISON	UPS
FOUR	November 14, 2002	200 Registration Stickers	GUY PENLAND	UPS
FIVE	August 30, 2004	100 Registration Stickers	GUY PENLAND	UPS
SIX	March 3, 2005	50 Registration Stickers	JOHN HARRISON	UPS
SEVEN	May 24, 2004	50 Registration Stickers	RONNIE DAVIS	UPS

All in violation of Title 18, United States Code, Sections 1341, 1346, and 2.

COUNT EIGHT (CONSPIRACY TO COMMIT MONEY LAUNDERING)

87. Paragraphs 1 through 74 of this Indictment are realleged and incorporated herein by reference.

88. Beginning on or about October 1, 2000, through on or about December 3, 2006, in Buncombe County, within the Western District of North Carolina, and elsewhere, the defendants,

- 1) BOBBY LEE MEDFORD,
also known as Bobby Medford,
- 2) JOHN DAVID HARRISON,
also known as Johnny Harrison,
- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,
and
- 4) GUY KENNETH PENLAND,

did combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit certain offenses against the United States, as follows:

Knowingly to conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce, involving proceeds of a specified unlawful activity, that is, mail fraud and extortion under color of law, knowing that the transaction was designed in whole or in part to disguise the nature, source, and ownership of the proceeds of said specified unlawful activity, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

All in violation of Title 18, United States Code, Section 1956(h).

COUNT NINE (FALSE STATEMENTS)

89. Paragraphs 1 through 74 of this Indictment are realleged and incorporated herein by reference.

90. On or about February 22, 2007, in Buncombe County, within the Western District of North Carolina, and elsewhere, the defendant,

- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,

did knowingly and willfully, in a matter within the jurisdiction of the executive branch of the Government of the United States, make and cause to be made a false, fictitious, and fraudulent material statement and representation, in that the defendant told investigators of the Federal Bureau of Investigation and the Internal Revenue Service that he received money orders from approximately 10 individual contributors to golf tournaments when in fact he had not received money orders from individual contributors but had received cash which he directed another to convert to money orders.

All in violation of Title 18, United States Code, Section 1001.

COUNT TEN
(OBSTRUCTION OF STATE AND LOCAL LAW ENFORCEMENT)

91. Paragraphs 1 through 74 of this Indictment are realleged and incorporated herein by reference.

92. Beginning on or about October 1, 2000, and continuing through on or about December 3, 2006, in Buncombe County, within the Western District of North Carolina, and elsewhere, the defendants,

- 1) BOBBY LEE MEDFORD,
also known as Bobby Medford,
- 2) JOHN DAVID HARRISON,
also known as Johnny Harrison,
- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,
and
- 4) GUY KENNETH PENLAND,

did knowingly combine, conspire, confederate and agree with each other and with JP, and with others known and unknown to the Grand Jury, to commit certain offenses against the United States, as follows:

To obstruct the enforcement of the criminal laws of the State of North Carolina that is, North Carolina General Statutes, Chapter 14, Section 301, with intent to facilitate an illegal gambling business.

93. At all times during the course of the conspiracy, defendant MEDFORD was an elected official of the State of North Carolina that is, Buncombe County Sheriff.

94. At all times during the course of the conspiracy, JP (co-conspirator) conducted, managed, supervised, and directed, all or part of an illegal gambling business referred to herein as HAI, which business included but was not limited to illegal VPM operations, all in violation of the aforesaid laws of the State of North Carolina.

95. At all times during the course of the conspiracy, the said illegal gambling business involved five or more persons who conducted, financed, managed, supervised, directed and owned all or part of said business and said business remained in substantially continuous operation for a period in excess of thirty days.

96. Said conspiracy was and remained in substantially continuous operation for a period in excess of thirty days and had gross revenue of \$ 2,000.00 or more in any single day.

Overt Acts

97. In furtherance of this conspiracy, the defendants committed the acts set forth in Paragraphs 12 through 74, among others.

Object of the Conspiracy

98. It was the object of the conspiracy that the defendants would obstruct the enforcement of the criminal laws of the State of North Carolina with the intent to facilitate an illegal gambling business.

All in violation of Title 18, United States Code, Section 1511.

NOTICE OF FORFEITURE AND FINDING OF PROBABLE CAUSE

99. Notice is hereby given of the provisions of 18 U.S.C. § 982 and 28 U.S.C. § 2461(c). Under §2461(c), criminal forfeiture is applicable to any offenses for which forfeiture is authorized by any other statute, including but not limited to 18 U.S.C. § 981 and all specified unlawful activities listed or referenced in 18 U.S.C. § 1956(c)(7), which are incorporated as to proceeds by § 981(a)(1)(c). The defendants,

- 1) BOBBY LEE MEDFORD,
also known as Bobby Medford,
- 2) JOHN DAVID HARRISON,
also known as Johnny Harrison,
- 3) RONNIE EUGENE DAVIS,
also known as Butch Davis,
and
- 4) GUY KENNETH PENLAND,

have or had a possessory or legal interest in the following property that is subject to forfeiture in accordance with § 982 and/or § 2461(c):

- (a) all property involved in the violations alleged in this bill of indictment;
- (b) all property which is proceeds of such violations; and,
- (c) in the event that any property described in (a) or (b) cannot be located or recovered or has been substantially diminished in value or has been commingled with other property which cannot be divided without difficulty, all other property of the defendant, to the extent of the value of the property described in (a) and (b).

100. The Grand Jury finds probable cause to believe that the following property is subject to forfeiture on one or more of the grounds stated above:

All currency and monetary instruments which were received during, involved in or used or intended to be used to facilitate the crimes alleged in this bill of indictment, including but not limited to the following:

- a) the sum of approximately \$287,776 in proceeds;
- b) the sum of approximately \$18,000 in United States Currency seized on or about February 22, 2007, at the residence of RONNIE EUGENE DAVIS, 131 Murray DeBruhl Road, Alexander, North Carolina.
- c) the sum of \$19,866.42 in United States Currency seized on or about August 15, 2007, from a Mountain 1st Bank and Trust Company certificate of deposit account in the name of RONNIE EUGENE DAVIS.

A TRUE BILL

GRETCHEN C.F. SHAPPERT
UNITED STATES ATTORNEY



RICHARD LEE EDWARDS
COREY F. ELLIS
ASSISTANT UNITED STATES ATTORNEYS